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State Senator | District 13

DRIC/NITC



**History is replete with examples
of bad outcomes that resulted
from solving the wrong problem**



The DRIC/NITC Bridge Issue could turn out to be a case in point



Perceived Problem

- **Long delays in crossing the Ambassador Bridge due to inadequate capacity of the bridge**
- **Will be worse in the future due to expected increase in traffic**



Answer to the perceived problem
Build another bridge

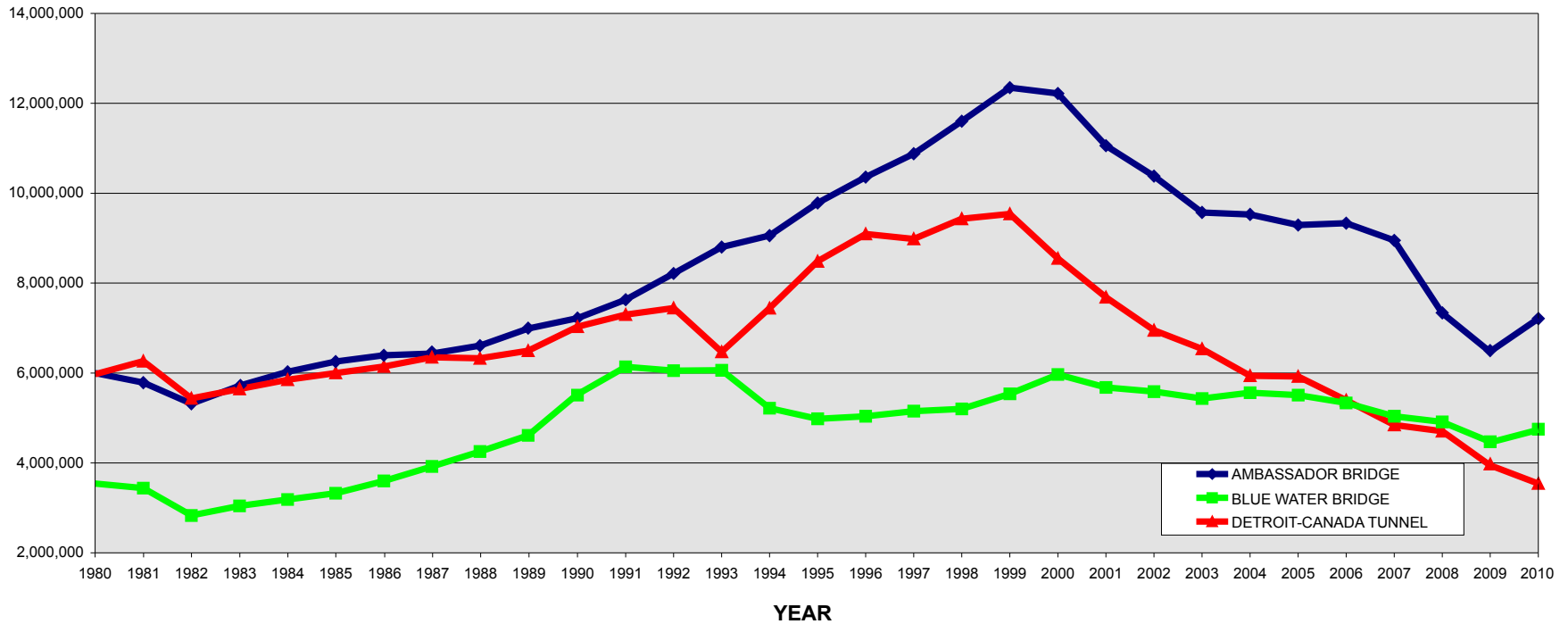


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Is capacity really the Problem?



TOTAL TRAFFIC FOR YEARS 1980 THROUGH 2010

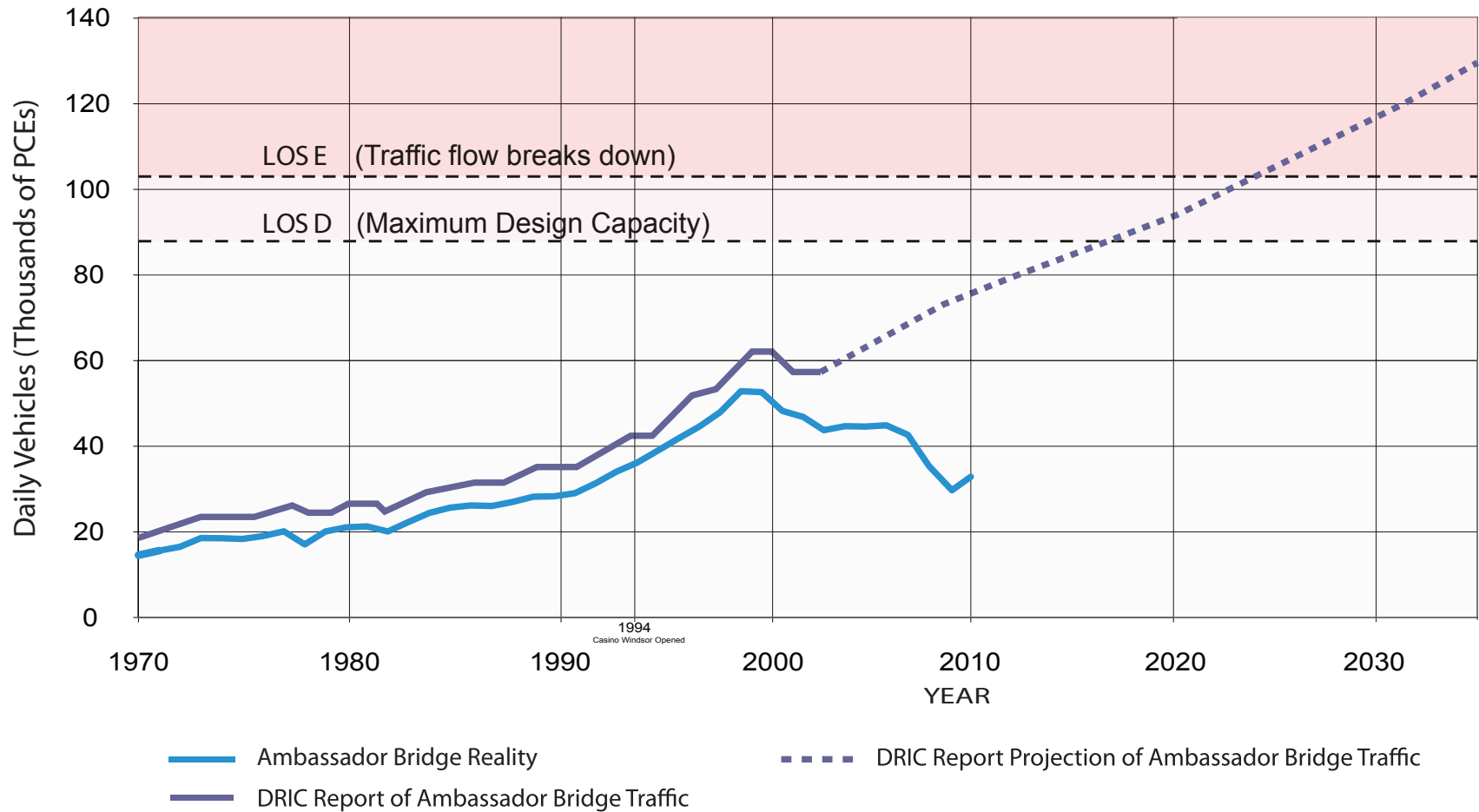


Source: BTOA monthly reports of actual traffic

REVISED 4-19-11

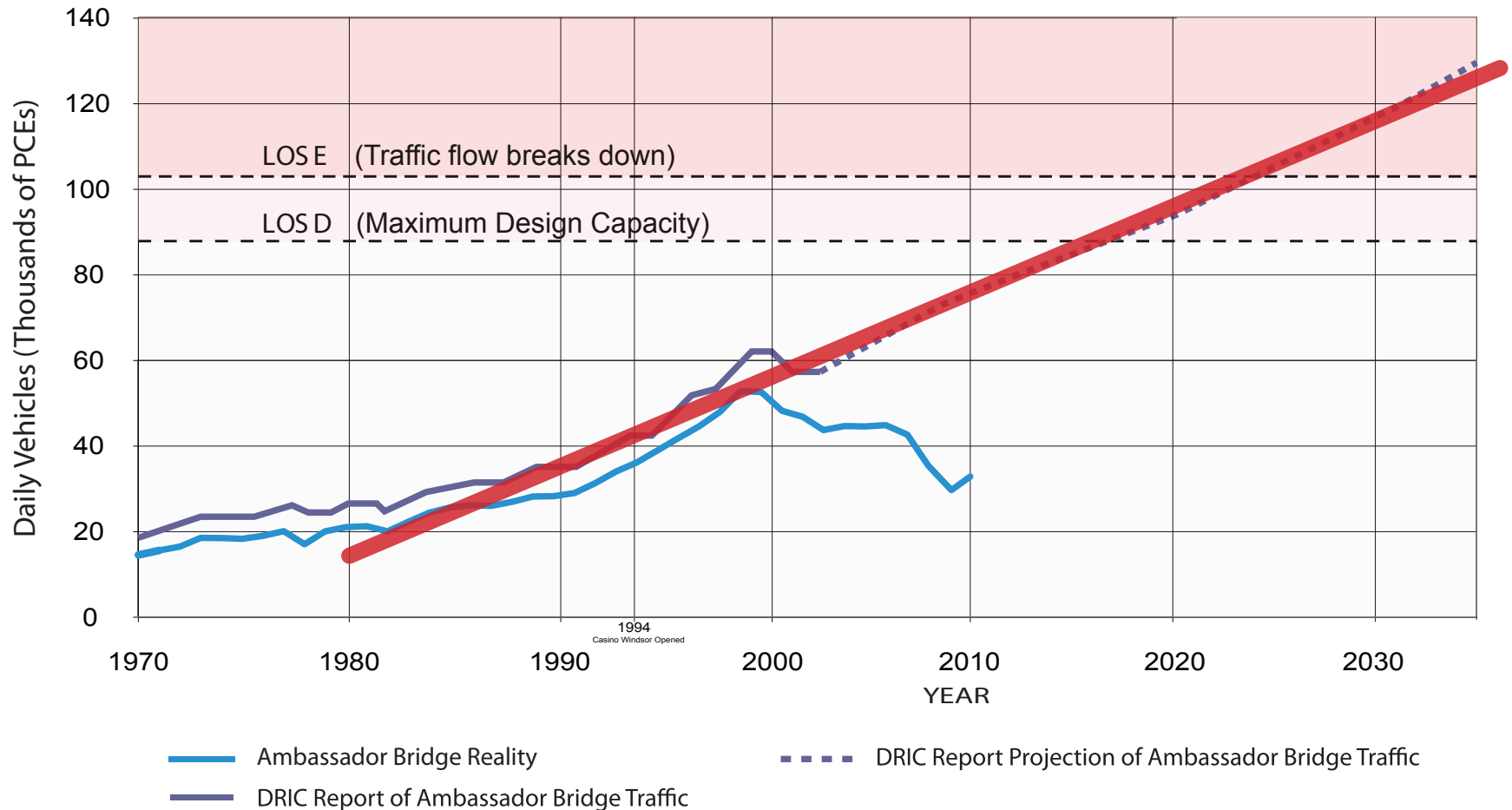


DRIC Report versus Ambassador Bridge Actual





The Surprise Free Environment





Surprise Free Environment Means

**What has been happening will
continue happening without change**

**The chances of a surprise free environment
occurring approach ZERO**



There have already been a number of “surprises” since 1980

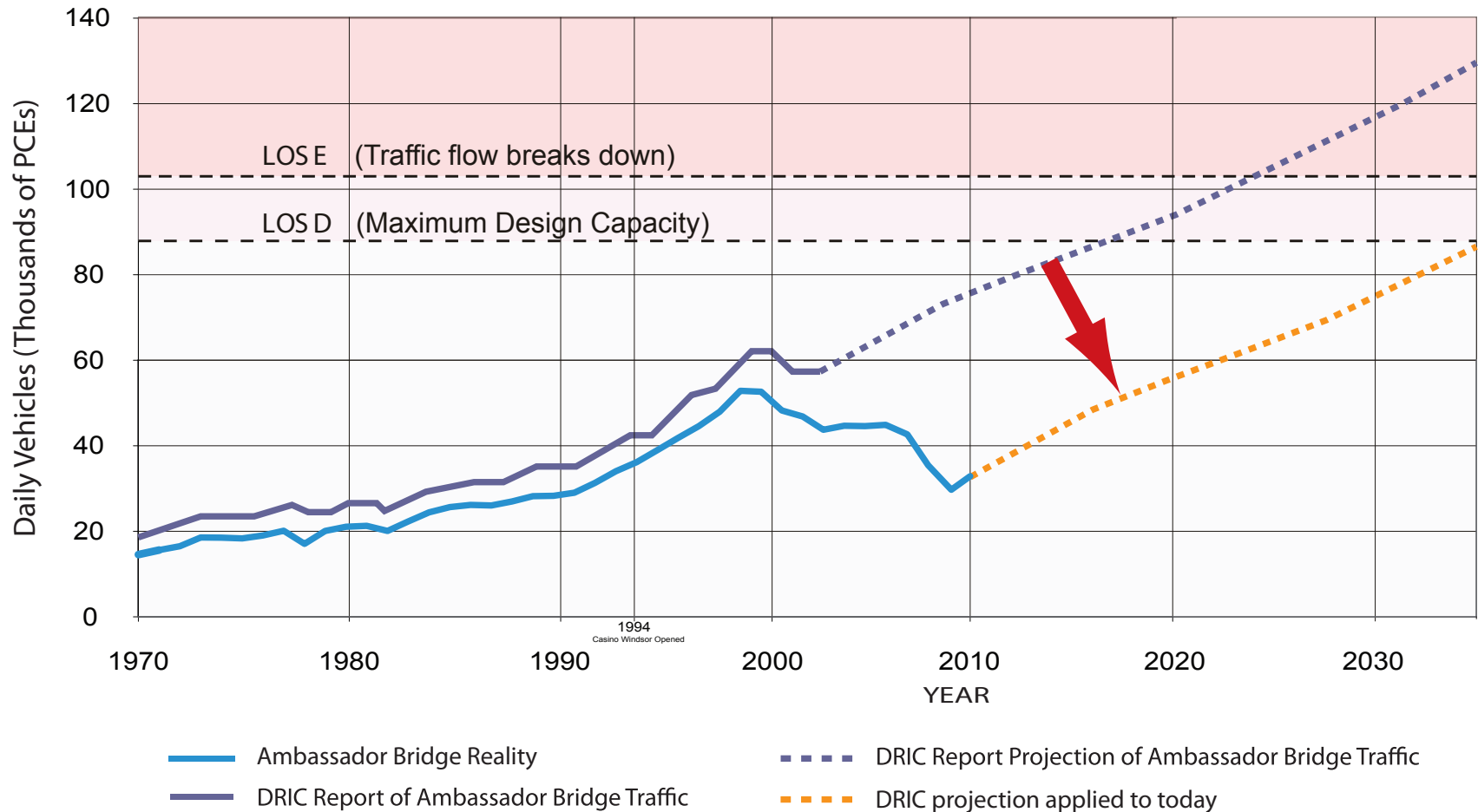
- **Big Three market share dropped to 45%**
- **Economic decline**
- **Detroit casinos opened**

Finally

A straight line projection denies the law of diminishing returns

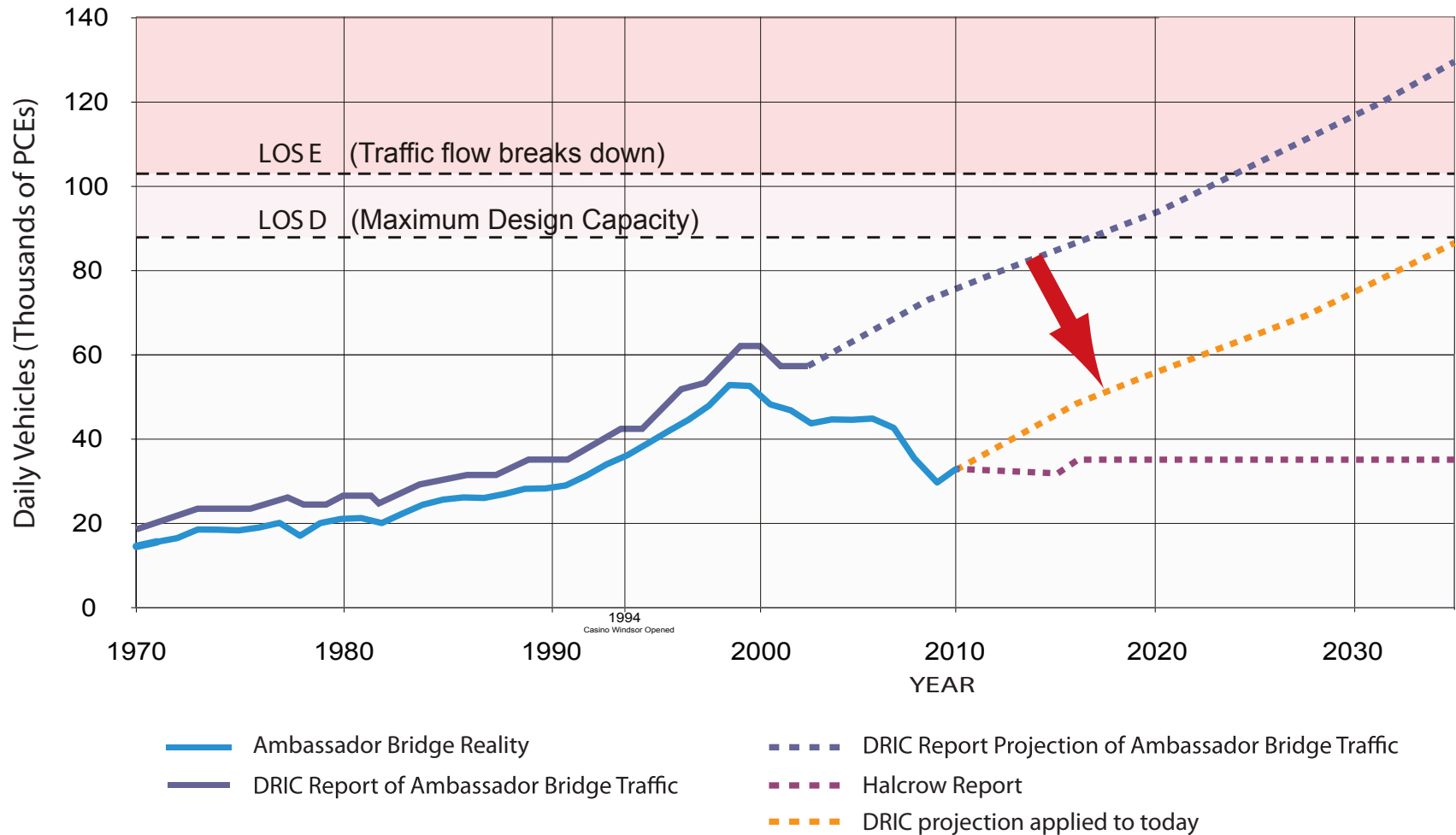


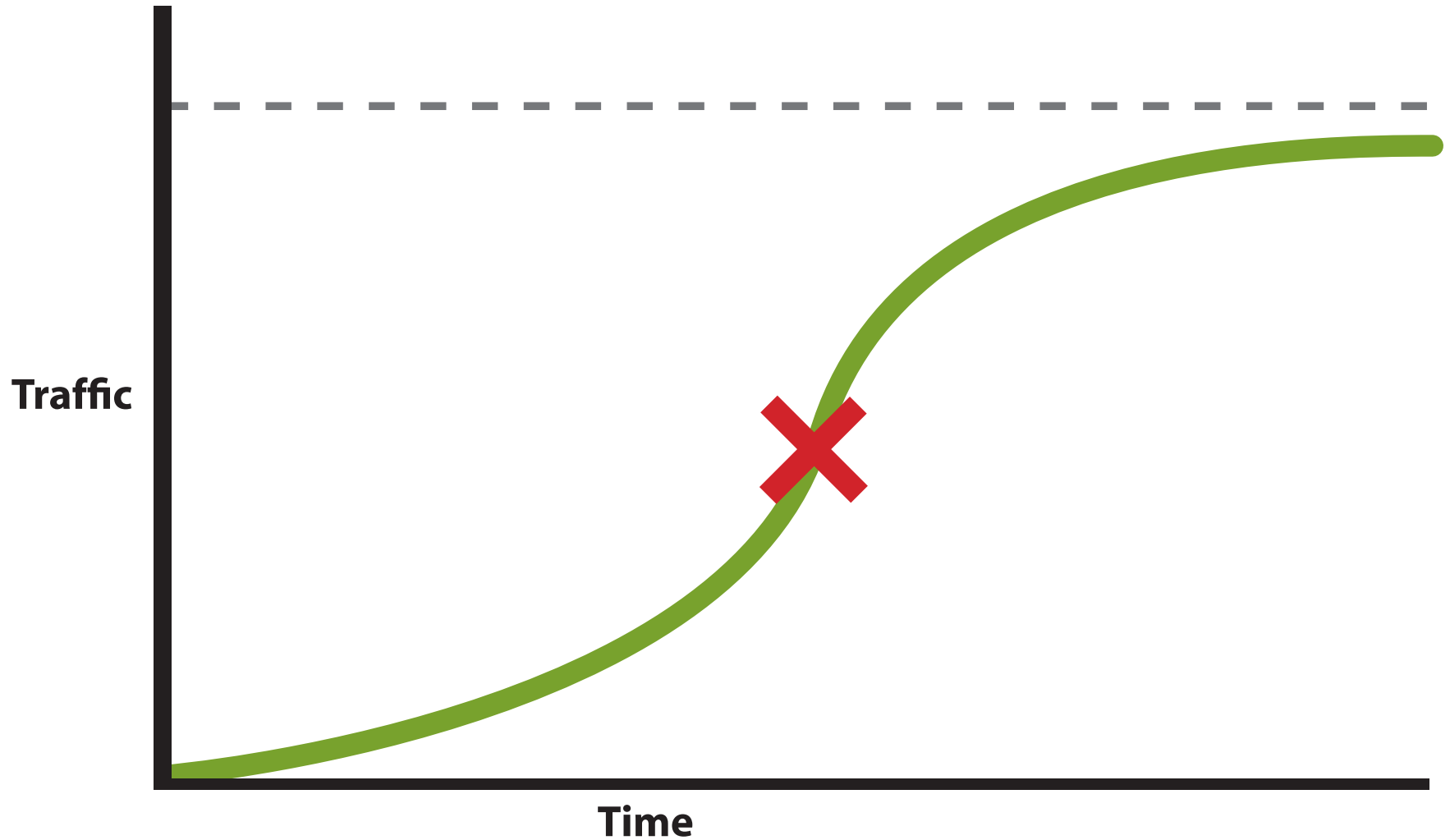
DRIC Report versus Ambassador Bridge Actual

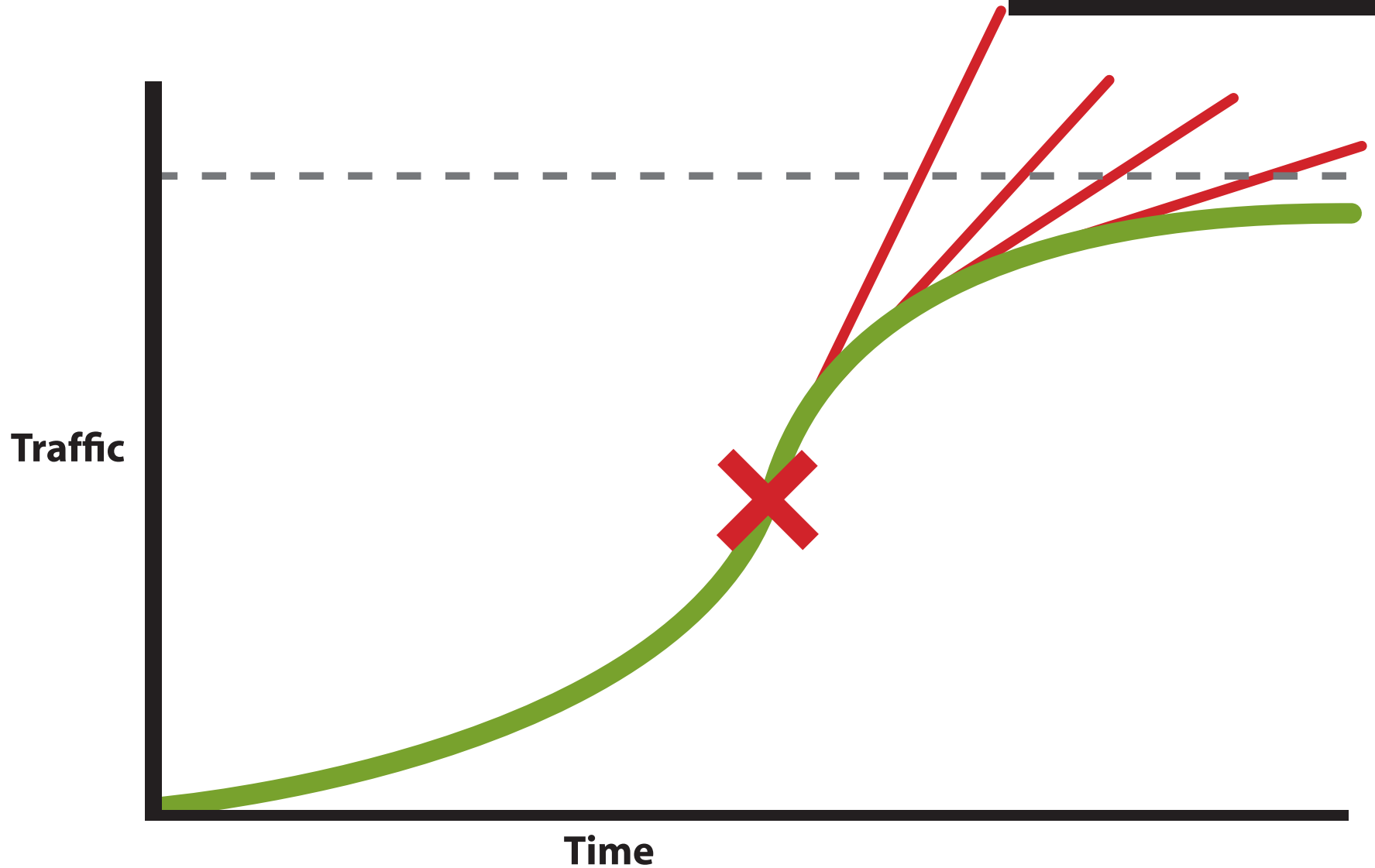




MDOT vs HALCROW

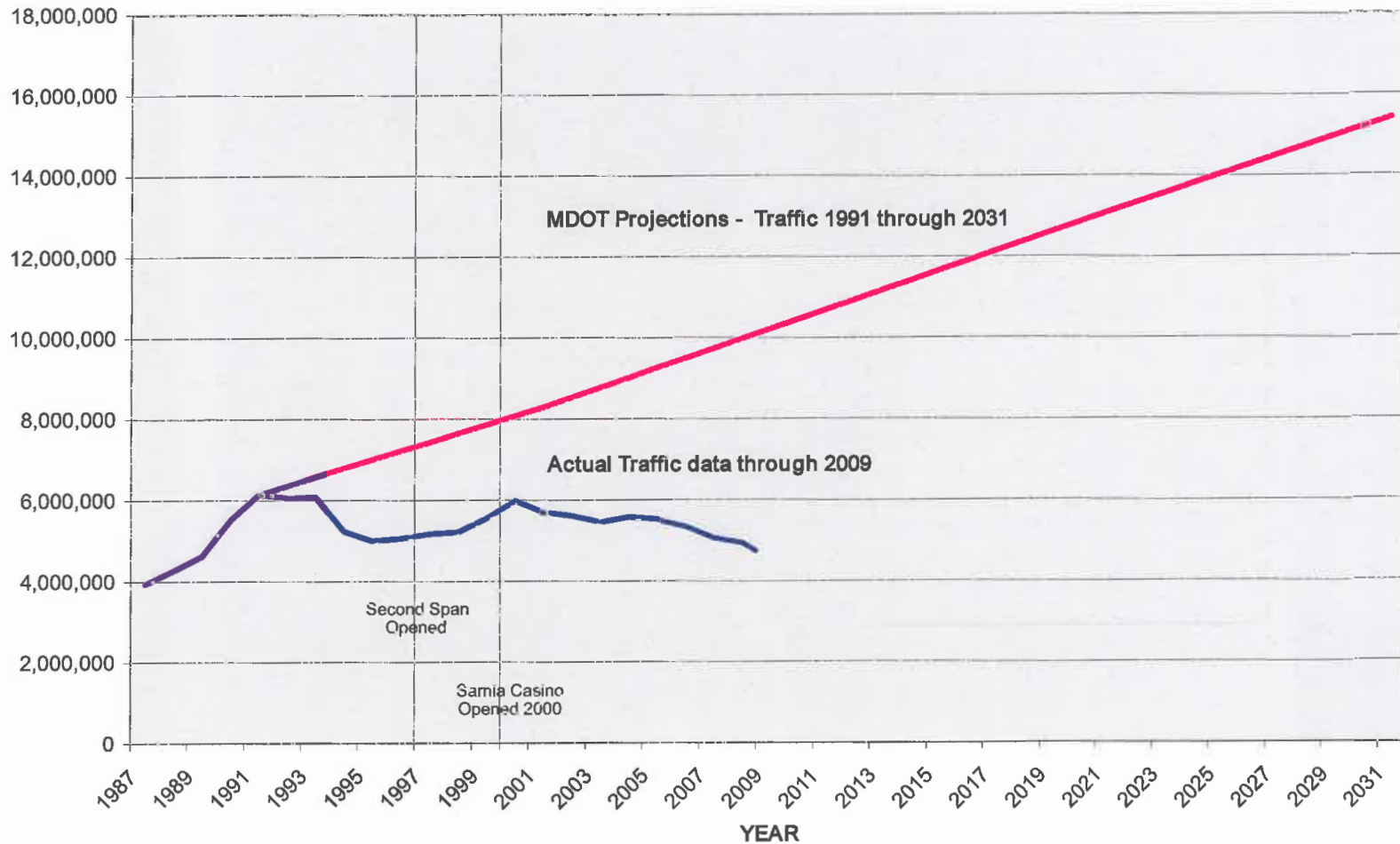








BLUE WATER BRIDGE TRAFFIC VOLUME



Source: MDOT Projections - Blue Water Bridge Additional Capacity Project Environmental Report, June 1994.
Actual Traffic - BTOA monthly reports of all crossings



Projections for proposed new toll facilities appear to consistently overestimate crossing traffic volumes:

- **A July 2008 report by the Center of Transportation research as the University of Texas at Austin state a majority of toll road projects overestimate traffic levels in the first five years by at least 20% to 30%.***
- **An S&P study by Bain in 2005 reviewed 104 toll road projects and concluded that volume projections were overestimated by approximately 30%.***

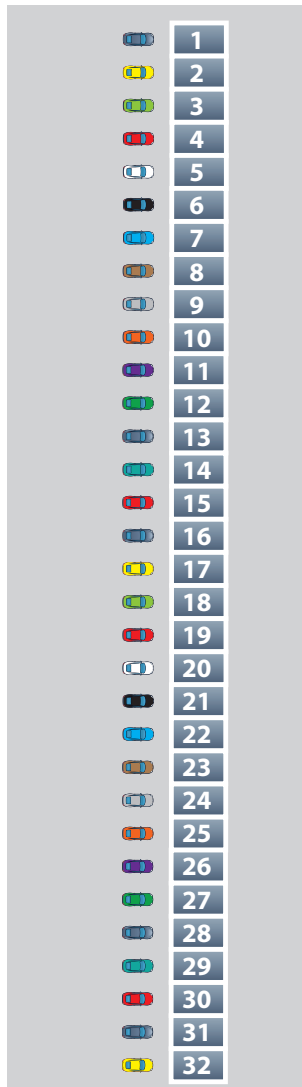
** Source: Conway Mackenzie*



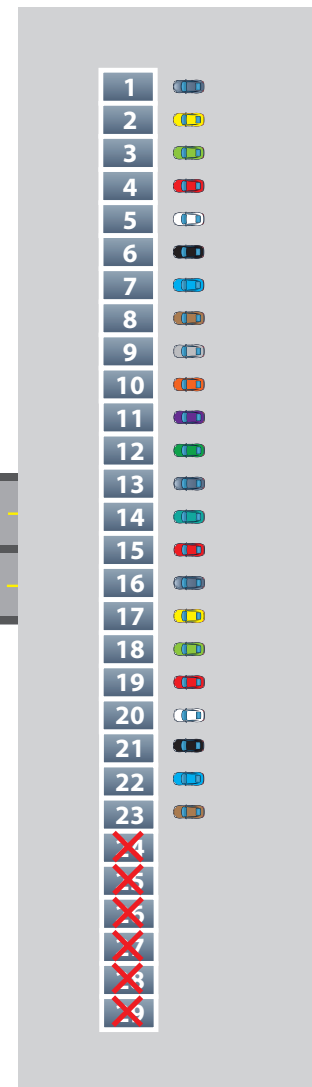
**In actuality, we don't have
a capacity problem, we have
a "thru-put" problem.**



Ambassador Bridge Thru-Put Problem



U.S. Side



Canadian Side



Ambassador Bridge Thru-Put Problem

US Customs booths (Coming into the US)

Total 32 Booths

19 car lanes

13 Truck booths

All booths open as needed on US Side



Ambassador Bridge Thru-Put Problem

Canadian Customs (Going into Canada)
Total 29 Booths

(all operational, but Canada Customs only uses 23)

10 Car lanes

10 Truck lanes

3 "flex lanes" for truck or car

Plus 6 Booths are fully operable, but Canada Customs is not using them

Canada typically occupies 25% fewer booths than US customs



96% OF THE TIME DELAYS ARE LESS THAN 20 MINUTES

George Costaris, Canadian Consulate General's Office



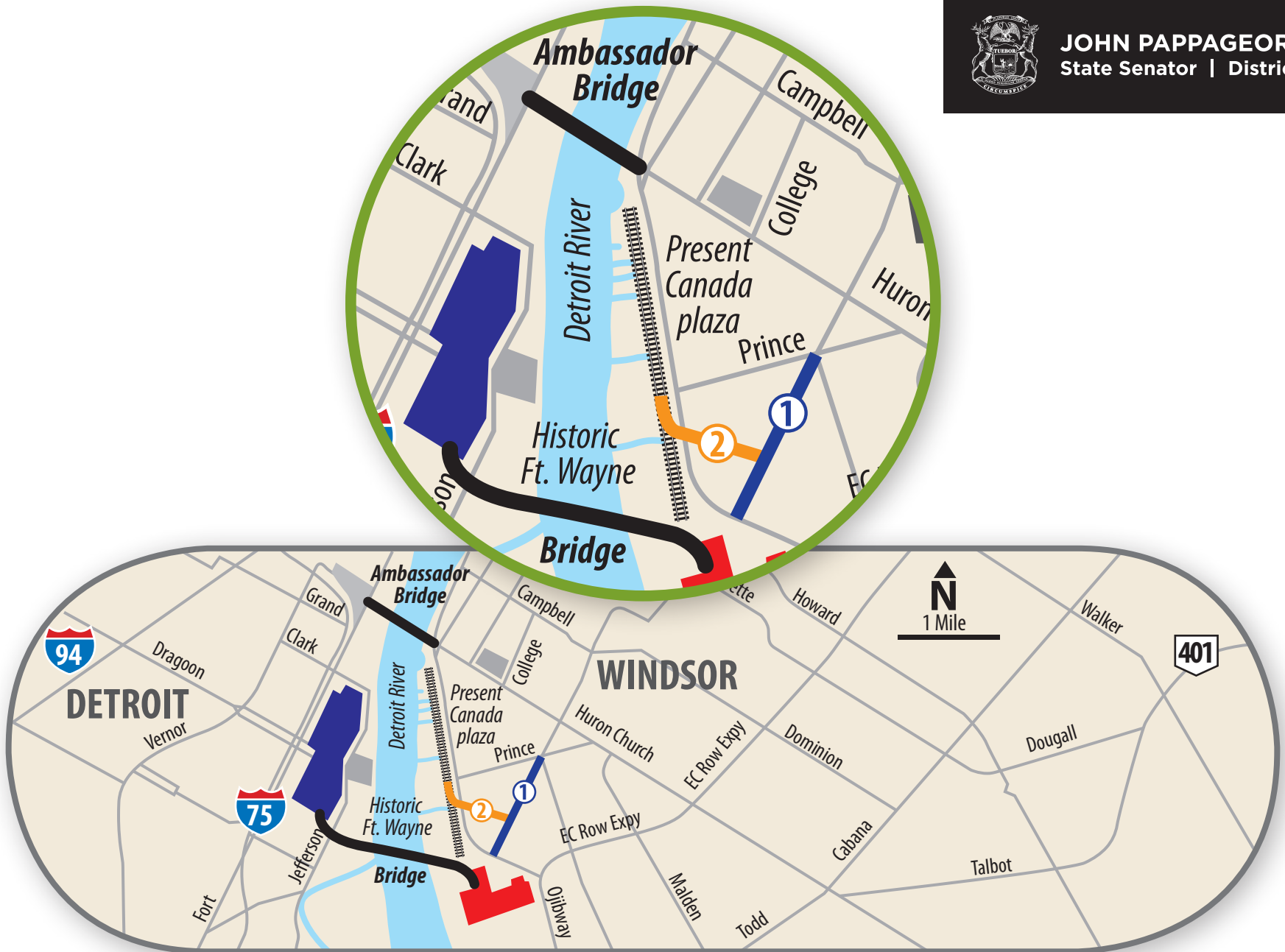
**Could it be the Canadians
don't want to open more booths
because of the amount of truck traffic
going through Windsor?**



SOLUTION:
New truck route bypass
along little used railroad.



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TRANSPORTATION FUNDING

How It Works



TRANSPORTATION FUNDING

- State sends - gas tax money to Washington
- Feds return 92.5% back to Michigan

BUT ONLY IF

The State provides enough for a 20% match of their own original money

- It's the \$1 gets you \$4 formula

BUT

Michigan can only leverage up to an amount that gets us the full 92.5% back



- **Feds said to the Governor we can use the Canadian \$550 million offer to build a Plaza for a new bridge as part of Michigan's Federal Match.**
- **It did not promise more money beyond the 92.5% that is returned to Michigan.**



By assuming \$50 million of Canadian money being used for Michigan's match for 10 years, the press reports Michigan will get an additional \$2 billion.

NOT THE CASE

Michigan will still only get 92.5% back every year



THIS YEAR'S BUDGET MATCH

- The full \$147 million in State funds necessary to meet the matching requirements to receive the maximum Federal Highway Aid is assumed in this budget:
 - \$50 million in toll credits*
 - \$49 million in carry forward from previous years
 - \$16 million in administrative reductions
 - \$15 million in Advanced Purchase Land converted from State to Federal Funds
 - \$12 million in TEDF from driver license fees diverted to the STF
 - \$5 million in savings from reductions to State Trunkline Operations Maintenance

\$147 MILLION

** Ambassador Bridge or Canadian \$*



FOR THE UPCOMING 2011/12 BUDGET

- **Governor proposed using \$50 million Canadian as part of the \$147 million match.**
- **Senate substituted \$50 million in Ambassador bridge credits instead without prejudice to whether or not there will be a new bridge.**
- **Using Ambassador bridge credits is an insurance policy that makes sure full matching funds will be there in any case.**



**Senate plan allows time to
address the policy question
of whether another bridge
should be built while assuring a
federal match is in place
in any event**



**How is the new bridge
going to be financed if neither
Canadian or Michigan
Taxpayers will be put at risk?**



PROBLEM OF COMPARING

- **An existing structure**
WITH
- **A friction free paper concept where every**
thing works perfectly

2002 study by the American Planning
Association found:

“North American Bridge construction costs
exceeded initial estimates by 25.7%”



*Draft Estimate: Annual Debt Service of \$2.5 billion Revenue Bond for NITC

Rating	Likely Market Rate	Annual Debt Service	Total Repayment
Strong Rating – AA	5-5.25%	\$165 million/year	\$5 billion (at 5%)
Moderate Rating – A	6%	\$175 million/year	\$5.4 billion (at 6%)
Weak Rating – BBB (still investment grade)	6.75-7%	\$195 million/year	\$5.9 billion (at 7%)

*Department of Treasury Estimates on June 8, 2011. Based upon a 30-year bond with level annual debt service. Variability in rates based upon stability of Public-Private Partnership, toll revenue and assurance of availability payments in the absence of sufficient toll revenue.



**Availability payments are
guaranteed payments made by
a government project sponsor**

**If there are no availability payments
the market rate will have to be even higher.**